



Peterson  
Allred  
Jackson

**TOWN OF CORNISH  
REVIEWED  
FINANCIAL STATEMENTS**

**For the Year Ended  
June 30, 2006**

**With Comparative Totals  
For June 30, 2005**

▪ Certified Public Accountants  
Business Consultants

2100 North Main • North Logan, Utah 84341

Phone (435) 752-6441

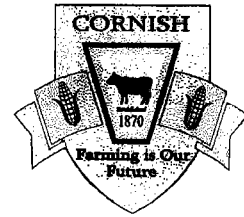
Fax (435) 752-6451

Email [firm@pajcpa.com](mailto:firm@pajcpa.com)

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b><u>INTRODUCTORY SECTION:</u></b>	
Letter of transmittal	4
<b><u>FINANCIAL SECTION:</u></b>	
Independent Accountant's Report	8
Management's Discussion and Analysis	9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - General Fund	20
Statement of Net Assets - Proprietary Funds	22
Statement of Revenues, Expenses, and Changes in	
Fund Net Assets - Proprietary Funds	23
Statement of Cash Flows - Proprietary Funds	24
Notes to Financial Statements	25
<b><u>SUPPLEMENTAL INFORMATION:</u></b>	
Schedule of Impact Fees	37
State Legal Compliance Report	38
Management Letter with Responses	40

## **INTRODUCTORY SECTION**



## *Cornish Town Corporation*

*P.O. Box 80028 Cornish, UT 84308-0028*

*Mayor, John Dyer Pitcher*

November 10, 2006

Cornish Town Council  
Cornish, Utah

Council:

It is with great pleasure that the financial statements for the Town of Cornish for the year ended June 30, 2006, are presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and compiled in accordance with statements on standards for accounting and review services issued by the American Institute of Certified Public Accountants by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2006, in accordance with these requirements.

This report consists of management's representations concerning the finances of the Town of Cornish. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Pitcher  
Town of Cornish

**FINANCIAL SECTION**

This page intentionally left blank.



Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

## INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Town Council  
Town of Cornish  
Cornish, Utah

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Cornish, Utah (the Town), as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Cornish.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis on pages 9 - 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. In addition, the Schedule of Impact fees is included as supplementary information. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

*Peterson Allred Jackson*

November 10, 2006



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Cornish, we offer readers of the Town of Cornish's financial statements this narrative overview and analysis of the financial activities of the Town of Cornish for the fiscal year ended June 30, 2006.

### FINANCIAL HIGHLIGHTS

- The total net assets of \$1,304,561 is made up of \$883,917 in capital assets net of related debt and \$420,644 in other net assets.
- In the Water Fund, a grant of \$118,000 and bonds of \$185,000 were received to make improvements in the water system.

### REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Cornish's basic financial statements. The Town of Cornish's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

**The government-wide financial statements** are designed to provide readers with a broad overview of the Town of Cornish's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of the Town of Cornish's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Cornish is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Cornish that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 15 & 16 of this report.

## REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Cornish also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- **Governmental funds** - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- **Proprietary funds** - The Town of Cornish maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Cornish uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Cornish, assets exceed liabilities by \$1,304,561.

By far the largest portion of the Town of Cornish's net assets (68%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 125,164	\$ 171,164	\$ 454,382	\$ 232,946
Capital assets	<u>172,389</u>	<u>206,865</u>	<u>1,028,528</u>	<u>989,339</u>
Total assets	<u>297,553</u>	<u>378,029</u>	<u>1,482,910</u>	<u>1,222,285</u>
Long-term debt outstanding	—	—	317,000	203,589
Other liabilities	<u>20,898</u>	<u>105,312</u>	<u>138,004</u>	<u>125,763</u>
Total liabilities	<u>20,898</u>	<u>105,312</u>	<u>455,004</u>	<u>329,352</u>
Net assets:				
Invested in capital assets, net of debt	172,389	206,865	711,528	785,750
Restricted	82,073	3,071	323,455	26,923
Unrestricted	<u>22,193</u>	<u>62,781</u>	<u>(7,077)</u>	<u>80,260</u>
Total net assets	<u>\$ 276,655</u>	<u>\$ 272,717</u>	<u>\$ 1,027,906</u>	<u>\$ 892,933</u>

## CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:				
Program revenues:				
Charges for services	\$ 19,284	\$ 16,589	\$ 56,168	\$ 49,381
Capital grants & contributions	18,233	81	118,000	—
Operating grants & contributions	93	14,958	—	—
General revenues:				
Property taxes	20,156	19,676	—	—
Other taxes	21,115	20,429	—	—
Investment income	3,433	2,671	4,451	1,782
Other revenues	<u>105</u>	<u>70</u>	<u>—</u>	<u>—</u>
Total revenues	<u>82,419</u>	<u>74,474</u>	<u>178,619</u>	<u>51,163</u>
Expenses:				
General government	24,581	21,306	—	—
Public safety	1,688	1,820	—	—
Highways/public improvements	44,294	55,639	—	—
Parks & recreation	7,918	6,168	—	—
Water	—	—	<u>43,646</u>	<u>68,297</u>
Total expenses	<u>78,481</u>	<u>84,933</u>	<u>43,646</u>	<u>68,297</u>
Increase (decrease) in net assets	3,938	(10,459)	134,973	(17,134)
Net assets, beginning of year	<u>272,717</u>	<u>283,176</u>	<u>892,933</u>	<u>910,067</u>
Net assets, end of year	<u>\$ 276,655</u>	<u>\$ 272,717</u>	<u>\$ 1,027,906</u>	<u>\$ 892,933</u>

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of June 30, 2006, the Town's governmental fund (General) reported a fund balance of \$104,266. This represents an increase of \$38,414 (58%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 49% of total general fund revenues. The largest element of taxes is property taxes. It represents 51% of total tax revenues and represents 25% of total general fund revenues. This compares with 27% in the prior fiscal year ended June 30, 2005.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include a decrease in accounts payable of \$84,414.

Significant changes in business-type activities include a new water bond issued for \$185,000 and a water grant for \$118,000 for water system improvements.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$68,100 to a final budget of \$68,200. Expenditures increased in administration department.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets- The Town of Cornish's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$1,200,917, net of accumulated infrastructure (streets, etc.), and machinery and equipment. The total increase in the Town's investment in fixed assets for the current year was .3% (due to new purchases exceeding depreciation).

## TOWN OF CORNISH'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 12,750	\$ 59,670
Buildings and improvements	45,513	28,270
System improvements	--	1,329,071
Infrastructure	425,200	--
Machinery & equipment	54,535	7,236
Construction in progress		68,459
Less: Accumulated depreciation	<u>(365,609)</u>	<u>(464,178)</u>
Total	<u>\$ 172,389</u>	<u>\$ 1,028,528</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2006, the Town had total bonded debt outstanding of \$317,000. Of this amount \$317,000 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

## TOWN OF CORNISH'S OUTSTANDING DEBT

	Business-type <u>Activities</u>
Revenue bonds	<u>\$ 317,000</u>
Total outstanding debt	<u>\$ 317,000</u>

The Town's total debt increased by \$113,411 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

This page intentionally left blank.

**TOWN OF CORNISH**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
**With Comparative Totals at June 30, 2005**

ASSETS	Governmental Activities	Business-type Activities	2006 Total	2005 Total
Cash	\$ 82,016	\$ -	\$ 82,016	\$ 237,462
Account receivable	2,043	12,366	14,409	7,815
Taxes receivable	20,497	-	20,497	20,442
Restricted cash	16,951	432,924	449,875	135,320
Restricted taxes receivable	3,657	-	3,657	3,071
Deferred issue costs	-	9,092	9,092	-
Capital assets				
Land	12,750	59,670	72,420	72,420
Buildings and improvements	45,513	28,270	73,783	73,783
System improvements	-	1,329,071	1,329,071	1,329,071
Infrastructure	425,200	-	425,200	425,200
Machinery & equipment	54,535	7,236	61,771	63,821
Contruction in progress	-	68,459	68,459	-
Less: Accumulated Depreciation	(365,609)	(464,178)	(829,787)	(768,091)
Total assets	<u>\$ 297,553</u>	<u>\$ 1,482,910</u>	<u>\$ 1,780,463</u>	<u>\$ 1,600,314</u>
LIABILITIES				
Cash	\$ -	\$ 26,529	\$ 26,529	\$ -
Accounts payable	898	2,006	2,904	102,678
Land retainage	-	109,469	109,469	108,397
Bonds payable:				
Due within one year	-	12,000	12,000	13,385
Due in more than one year	-	305,000	305,000	190,204
Deferred revenue	20,000	-	20,000	20,000
Total liabilities	<u>20,898</u>	<u>455,004</u>	<u>475,902</u>	<u>434,664</u>
NET ASSETS				
Invested in capital assets, net of related debt	172,389	711,528	883,917	992,615
Restricted for:				
Debt service/savings	-	323,455	323,455	22,657
Roads and town improvements	20,608	-	20,608	7,337
Unrestricted	83,658	(7,077)	76,581	143,041
Total Net Assets	<u>\$ 276,655</u>	<u>\$ 1,027,906</u>	<u>\$ 1,304,561</u>	<u>\$ 1,165,650</u>

See accompanying notes and accountant's report.

**TOWN OF CORNISH**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**  
**With Comparative Totals for June 30, 2005**

	Program Revenues				Net		Business-type Activities	2006 Total	2005 Total
	Expenses	Charges for Services	Operating Contributions	Capital Grants & Contributions	Governmental Activities				
<b>Governmental activities:</b>									
General government	\$ 24,581	\$ 4,350	\$ -	\$ -	\$ (20,231)	\$ -	\$ (20,231)	\$ (19,475)	
Public Safety	1,688	1,944	93	-	349	-	349	237	
Highways & public improvements	44,294	12,820	-	17,359	(14,115)	-	(14,115)	(28,289)	
Parks, recreation & public property	7,918	170	-	874	(6,874)	-	(6,874)	(5,778)	
Total governmental activities	78,481	19,284	93	18,233	(40,871)	-	(40,871)	(53,305)	
<b>Business-type activities:</b>									
Water	43,646	56,168	-	118,000	-	130,522	130,522	(18,916)	
Total business-type activities	43,646	56,168	-	118,000	-	130,522	130,522	(18,916)	
<b>General Revenues:</b>									
<b>Taxes:</b>									
Property taxes levied for general purposes					20,156	-	20,156	19,676	
Franchise taxes					79	-	79	87	
General sales taxes & highway sales taxes					21,036	-	21,036	20,342	
Business licenses					105	-	105	70	
Investment income					3,433	4,451	7,884	4,453	
Total general revenues & transfers					44,809	4,451	49,260	44,628	
Change in net assets					3,938	134,973	138,911	(27,593)	
Net assets - beginning					272,717	892,933	1,165,650	1,193,243	
Net assets - ending					\$ 276,655	\$ 1,027,906	\$ 1,304,561	\$ 1,165,650	

See accompanying notes and accountant's report.



**TOWN OF CORNISH  
GOVERNMENTAL FUNDS TYPE  
BALANCE SHEET  
JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	Total Governmental Funds	
	2006	2005
<b>ASSETS</b>		
Cash	\$ 82,016	\$ 146,070
Accounts receivable	2,043	1,581
Taxes receivable	20,497	20,442
Restricted assets:		
Cash	16,951	-
Taxes receivable	3,657	3,071
<b>Total assets</b>	<b>\$ 125,164</b>	<b>\$ 171,164</b>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 898	\$ 85,312
Deferred revenue	20,000	20,000
<b>Total liabilities</b>	<b>20,898</b>	<b>105,312</b>
<b>Fund Balance:</b>		
Reserved for roads	20,608	3,071
Unreserved - undesignated	83,658	62,781
<b>Total fund balance</b>	<b>104,266</b>	<b>65,852</b>
<b>Total liabilities and fund balance</b>	<b>\$ 125,164</b>	<b>\$ 171,164</b>
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 172,389	\$ 206,865
Fund balance, governmental fund	104,266	65,852
<b>Net assets reconciled to the Statement of Activities</b>	<b>\$ 276,655</b>	<b>\$ 272,717</b>

See accompanying notes and accountant's report.

**TOWN OF CORNISH  
GOVERNMENTAL FUNDS TYPE  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>Total Governmental Funds</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Taxes & special assessments	\$ 41,271	\$ 40,105
Licenses and permits	547	116
Intergovernmental	18,326	15,039
Charges for services	14,643	14,758
Fines and forfeitures	3,908	1,774
Investment income	3,433	2,671
Miscellaneous	1,520	11
Total revenues	<u>83,648</u>	<u>74,474</u>
Expenditures:		
Current:		
General government	22,760	19,485
Public safety	1,688	1,820
Highways & public improvements	13,946	115,838
Parks, recreation & public property	6,840	5,090
Total expenditures	<u>45,234</u>	<u>142,233</u>
Excess of revenues over expenditures	38,414	(67,759)
Fund balances, beginning of year	<u>65,852</u>	<u>133,611</u>
Fund balances, end of year	<u>\$ 104,266</u>	<u>\$ 65,852</u>

See accompanying notes and accountant's report.

**TOWN OF CORNISH**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds	\$ 38,414
--	-----------

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(34,476)
----------

Change in net assets of governmental activities
---

<u>\$ 3,938</u>
-----------------

**TOWN OF CORNISH  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
<b>Taxes:</b>				
General property taxes	\$ 18,300	\$ 18,300	\$ 20,156	\$ 1,856
General sales & use taxes	17,000	17,000	21,036	4,036
Franchise taxes	-	-	79	79
Total taxes	<u>35,300</u>	<u>35,300</u>	<u>41,271</u>	<u>5,971</u>
<b>Licenses &amp; permits:</b>				
Business licenses & permits	160	160	105	(55)
Non-business licenses & permits	-	-	442	442
Total licenses & permits	<u>160</u>	<u>160</u>	<u>547</u>	<u>387</u>
<b>Intergovernmental revenues:</b>				
Class "C" roads	14,000	14,000	17,359	3,359
State liquor allotment	100	100	93	(7)
Other governmental grants	-	-	874	874
Total intergovernmental revenues	<u>14,100</u>	<u>14,100</u>	<u>18,326</u>	<u>4,226</u>
<b>Charges for services:</b>				
Sanitation	13,500	13,500	12,529	(971)
Parks & recreation	200	200	170	(30)
Communication center	-	-	1,944	1,944
Total charges for services	<u>13,700</u>	<u>13,700</u>	<u>14,643</u>	<u>943</u>
Fines and forfeitures	<u>1,500</u>	<u>1,500</u>	<u>3,908</u>	<u>2,408</u>
<b>Miscellaneous:</b>				
Interest	1,800	1,800	3,433	1,633
Other	-	-	1,520	1,520
Total Miscellaneous	<u>1,800</u>	<u>1,800</u>	<u>4,953</u>	<u>3,153</u>
Total Revenues	<u>\$ 66,560</u>	<u>\$ 66,560</u>	<u>\$ 83,648</u>	<u>\$ 17,088</u>

See accompanying notes and accountant's report

**TOWN OF CORNISH  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(CONTINUED)  
YEAR ENDED JUNE 30, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
General government:				
Administration	\$ 28,300	\$ 28,400	\$ 22,760	\$ 5,640
Total general government	28,300	28,400	22,760	5,640
Public Safety:				
Communication center	2,000	2,000	1,688	312
Total Public Safety	2,000	2,000	1,688	312
Highways & public improvements:				
Streets	15,800	15,800	1,893	13,907
Sanitation	14,000	14,000	12,053	1,947
Total highways & improvements	29,800	29,800	13,946	15,854
Parks, Recreation & Public Property:				
Parks and open spaces	8,000	8,000	6,840	1,160
Total parks, recreation & public property	8,000	8,000	6,840	1,160
TOTAL EXPENDITURES	68,100	68,200	45,234	22,966
Net change in fund balance	(1,540)	(1,640)	38,414	40,054
Fund Balance at beginning of year	65,852	65,852	65,852	-
Fund Balance at end of year	\$ 64,312	\$ 64,212	\$ 104,266	\$ 40,054

See accompanying notes and accountant's report.

**TOWN OF CORNISH  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>WATER UTILITIES 2006</u>	<u>WATER UTILITIES 2005</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ -	\$ 91,392
Accounts receivable	12,366	6,234
Restricted cash	<u>432,924</u>	<u>135,320</u>
Total current assets	<u>445,290</u>	<u>232,946</u>
Capital assets		
Land	59,670	59,670
Buildings and improvements	28,270	28,270
System improvements	1,329,071	1,329,071
Equipment	7,236	7,236
Construction in progress	68,459	
Less Accumulated depreciation	<u>(464,178)</u>	<u>(434,908)</u>
Total capital assets	<u>1,028,528</u>	<u>989,339</u>
Other assets		
Deferred issue costs	<u>9,092</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><b>1,482,910</b></u>	<u><b>1,222,285</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Cash	26,529	-
Accounts payable	<u>2,006</u>	<u>17,366</u>
Total current liabilities	<u>28,535</u>	<u>17,366</u>
Long-term liabilities:		
Land retainage	109,469	108,397
Bonds payable - due within a year	12,000	13,385
Due in more than one year	<u>305,000</u>	<u>190,204</u>
Total long -term liabilities	<u>426,469</u>	<u>311,986</u>
Total liabilities	<u>455,004</u>	<u>329,352</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	711,528	785,750
Restricted	323,455	26,923
Unrestricted	<u>(7,077)</u>	<u>80,260</u>
Total net assets	<u><b>\$ 1,027,906</b></u>	<u><b>\$ 892,933</b></u>

See accompanying notes and accountant's report.

**TOWN OF CORNISH  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS  
PROPRIETARY FUNDS**

**JUNE 30, 2006**

**With Comparative Totals for June 30, 2005**

	<u>WATER UTILITIES 2006</u>	<u>WATER UTILITIES 2005</u>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 52,986	\$ 46,661
Other operating revenues	3,182	2,720
<b>Total operating revenues</b>	<u>56,168</u>	<u>49,381</u>
<b>OPERATING EXPENSES</b>		
Salary and wages	1,660	1,807
Other operating expenses	8,226	23,940
Supplies	1,946	9,388
Depreciation	29,270	29,108
<b>Total operating expenses</b>	<u>41,102</u>	<u>64,243</u>
<b>Operating income (loss)</b>	<u>15,066</u>	<u>(14,862)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	4,451	1,782
Water grant	118,000	-
Interest charges	(2,544)	(4,054)
<b>Total non-operating revenue (expense)</b>	<u>119,907</u>	<u>(2,272)</u>
<b>Change in net assets</b>	134,973	(17,134)
<b>Total net assets - beginning</b>	<u>892,933</u>	<u>910,067</u>
<b>Total net assets -ending</b>	<u><u>\$ 1,027,906</u></u>	<u><u>\$ 892,933</u></u>

See accompanying notes and accountant's report.

**TOWN OF CORNISH  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2006  
With Comparative Totals for June 30, 2005**

	<u>WATER UTILITIES 2006</u>	<u>WATER UTILITIES 2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 14,824	\$ 49,524
Payments to employees	-	(1,807)
Payments to suppliers	-	(24,920)
Net cash provided (used) by operating activities	<u>14,824</u>	<u>22,797</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of system improvements	(68,459)	-
Proceeds from State grant	118,000	-
Principal paid on capital debt	(71,589)	(13,362)
Proceeds from debt issuance	185,000	-
Interest paid on capital debt	(2,544)	(4,054)
Net cash provided (used) by capital and related financing activities	<u>160,408</u>	<u>(17,416)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>4,451</u>	<u>1,782</u>
Net increase in cash and cash equivalents	179,683	7,163
Cash and equivalents at beginning of year	<u>226,712</u>	<u>219,549</u>
Cash and equivalents at end of year	<u><u>\$ 406,395</u></u>	<u><u>\$ 226,712</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 15,066	\$ (14,862)
Adjustments to reconcile net income from operations to net cash provided by operating activities:		
Depreciation	29,270	29,108
Changes in assets & liabilities:		
Decrease (increase) in receivables	(6,132)	143
Decrease (increase) in other assets	(9,092)	-
Increase (decrease) in accruals	<u>(14,288)</u>	<u>8,408</u>
Total adjustments	<u>(242)</u>	<u>37,659</u>
Net cash provided (used) by operating activities:	<u><u>\$ 14,824</u></u>	<u><u>\$ 22,797</u></u>

See accompanying notes and accountant's report.



**TOWN OF CORNISH**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1: Summary of significant accounting policies**

**Reporting entity**

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation.**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Prior to the audit for the year ended June 30, 1982, a list of general fixed assets was not kept. At the time of that audit, an inventory of general fixed assets was taken and entered on the books. When actual costs were not available, the assets were recorded at estimated cost.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

## Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30.

Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

## Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing, the effects of which were not material.

## Capitalized Interest

The Town capitalizes interest costs and interest earned as part of the cost of constructing various buildings, and water projects when material. Interest is only capitalized in proprietary activities.

## Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

## Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

## Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

### Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 537,998
Accumulated depreciation	<u>(365,609)</u>
Total difference	<u>\$ 172,389</u>

**B. Explanation of differences between governmental fund operating statements and the statement of net activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Loss on sale of assets	\$ 1,229
Depreciation expense	<u>(33,247)</u>
Net difference as reported	<u>\$(34,476)</u>

**Note 2: Legal Compliance - Budgets/Statutory**

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

**Note 3: Cash**

**Deposits and investments**

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

### Custodial Credit Risk

**Deposits.** Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$9,469 of the local government's bank balances of \$124,091 were uninsured and uncollateralized.

### Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments had investments of \$379,936 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

### Note 4: Accounts receivable and taxes receivable

Accounts receivable and taxes receivable as of June 30, 2006, are due as follows:

General fund:	
Garbage	\$ 1,766
Communication center	277
Property taxes	<u>20,497</u>
Total general	<u>22,540</u>
Water fund:	
Water service	<u>12,366</u>
Total water	<u>12,366</u>
Total accounts receivable	<u>\$ 34,906</u>

**Note 5: Restricted assets**

The total restricted assets on the balance sheet are comprised of the following cash and receivables:

**General fund:**

Cash - road funds	\$ 16,951
Accounts receivable - Class C	<u>\$ 3,657</u>

Total general fund	<u>\$ 20,608</u>
--------------------	------------------

**Water fund:**

Cash - revenue bond sinking/reserve	\$323,455
Cash- land retainage	<u>109,469</u>

Total water fund	<u>\$432,924</u>
------------------	------------------

**Note 6: General fixed assets**

General fixed asset changes occurring for the year ended June 30, 2006, are as follows:

	Balance July 1, <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2006</u>
<b>Land:</b>				
Town	\$ 2,500	\$	\$	\$ 2,500
Land under roads	<u>10,250</u>	<u>          </u>	<u>          </u>	<u>10,250</u>
Total	<u>12,750</u>	<u>          </u>	<u>          </u>	<u>12,750</u>
<b>Buildings:</b>				
Town hall	<u>45,513</u>	<u>          </u>	<u>          </u>	<u>45,513</u>
Total	<u>45,513</u>	<u>          </u>	<u>          </u>	<u>45,513</u>
<b>Infrastructure</b>	<u>425,200</u>	<u>          </u>	<u>          </u>	<u>425,200</u>
<b>Furniture, fixtures and equipment:</b>				
General government	10,812			10,812
Streets	24,212		2,050	22,162
Parks	<u>21,561</u>	<u>          </u>	<u>          </u>	<u>21,561</u>
Total	<u>56,585</u>	<u>          </u>	<u>2,050</u>	<u>54,535</u>
<b>TOTAL ASSETS</b>	<u>540,048</u>	<u>          </u>	<u>2,050</u>	<u>537,998</u>
<b>Accumulated depreciation</b>	<u>(333,183)</u>	<u>(33,247)</u>	<u>821</u>	<u>(365,609)</u>
<b>TOTAL ASSETS</b>	<u>\$ 206,865</u>	<u>\$(33,247)</u>	<u>\$ 1,229</u>	<u>\$172,389</u>

Depreciation related to general fixed assets is as follows:

General	\$ 1,821
Streets	30,348
Parks	<u>1,078</u>
Total	<u>\$ 33,247</u>

**Note 7: Accounts Payable**

Accounts payable consist of amounts incurred and due at June 30, 2006, but which had not been paid.

**Note 8: Changes in long-term debt**

The following is a summary of long-term debt transactions of the Town's proprietary fund types for the year ended June 30, 2006:

Bonds payable at July 1, 2005	\$ 203,589
Plus: Issuance of 1996 bonds	185,000
Less: Payoff of FMHA 1991 bonds	(59,589)
Less: Regular payment of principal	<u>(12,000)</u>
 Bonds payable at June 30, 2006	 <u>\$ 317,000</u>
Due within one year	<u>\$ 12,000</u>

Bonds payable at June 30, 2006, are comprised of the following issues:

**Water fund:**

\$185,000 water revenue bonds due to State of Utah in annual payments ranging from \$9,000 to \$10,000 with 0%. Payments will commence on in fiscal year 2007-2008 and continue each month until retirement in 2027.	\$185,000
\$300,000 water revenue bonds due to the State of Utah Drinking Water Board in annual installments of \$12,000. The bonds bear no interest rate. Payments are to be made by January 1 of each year until retirement on January 1, 2017.	<u>132,000</u>
Total	<u>\$317,000</u>

All water fund bond agreements require an amount be set aside and held in reserve to meet scheduled payments as they come due. A portion of the fund's assets have been restricted to meet this provision.



The following is a summary of bond principal maturities and interest requirements:

<u>Year Ending June 30</u>	<u>Water Revenue Bonds Outstanding</u>
2007	\$ 12,000
2008	21,000
2009	21,000
2010	21,000
2011	21,000
2012 - 2016	105,000
2017 - 2021	59,000
2022 - 2026	48,000
2027	<u>9,000</u>
 Outstanding Principal	 <u>\$ 317,000</u>

**Note 9: Utility users**

Cornish Town's utility services are utilized by residential users only and as of June 30, 2006, the number of users and rates are as follows:

	<u>Water</u>
Residential	110
Commercial	<u>3</u>
 Total	 <u>113</u>

Water rates:

Standard monthly services	\$ 28.00
Additional cost over flat fee	.80 per 1,000 gallons

Garbage rates:

Std. residential service- 60 gallon	\$ 8.65
Std. residential service- 90 gallon	\$ 12.50
Multi-unit complex	\$ 12.50
Standard commercial	*

\*Determined by service area according to volume and number of pickups.

**Note 10: Insurance and bond coverage**

Cornish has insurance and bonding coverage as follows:

<u>Carrier</u>	<u>Description</u>	<u>Limits</u>	
<u>Expiration</u>			
Scottdale Indemnity Co.	Commercial general	\$2,000,000 aggregate	7/01/06
Policy Number	liability - property	1,000,000 per occurrence	
PEI0004723	and building		

Scottdale Indemnity Co. Policy Number WAI0001075	Automobile liability	1,000,000	7/01/06
Scottdale Indemnity Co. Policy Number PEI0004723	Public officials errors and omissions	1,000,000	7/01/06
Allied Policy Number BD-7900541371	Mayor Treasurer	29,000 29,000	9/24/06

**Note 11: Segment information**

The following information is presented for the water utility fund of Cornish Town:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<u>Water fund:</u>				
Fixed assets	\$ 1,424,247	\$ 68,459	\$	\$ 1,492,706
Accumulated depreciation	434,908	29,270		464,178

Net working capital for the water utility fund is calculated as follows:

	<u>Water Fund</u>
Current assets:	
Cash	\$406,395
Receivables	12,366
Less current liabilities:	
Accounts payable	( 2,006)
Current portion of long-term debt	<u>(12,000)</u>
Net Working Capital	<u>\$ 404,755</u>

**Note 12: Refundable deposits**

The Town requires a security deposit from utility users who rent property from non-resident landlords. The deposit, reported as a liability in the water fund, covers garbage pickup and water service charges. Security deposits in the water utility fund of \$350 were held by the Town at June 30, 2006.

**Note 13: Reserved fund equity**

Amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are comprised of the following:

General fund:

Reserved - Class C roads	\$ 20,608
--------------------------	-----------

Water fund (retained earnings):

Reserved - sinking/reserve requirements	<u>323,455</u>
---	----------------

Total reserved fund equity	<u>\$344,063</u>
----------------------------	------------------

**Note 14: Land Retainage**

In 1979 Cornish Town filed a lawsuit to obtain water rights to Pearson and Griffiths Springs. In order to obtain the needed right of way to the springs, Cornish condemned a parcel of land. The property value of land condemned, as determined by the courts, was placed in an escrow account and has remained intact with interest earned.

**SUPPLEMENTAL SECTION**

**TOWN OF CORNISH  
SUPPLEMENTAL SCHEDULE  
SCHEDULE OF IMPACT FEES**

	2003	2004	2005	2006
<b>Beginning Balance:</b>				
Impact Fees - Water	\$ -	\$ 4,120	\$ 4,182	\$ 4,266
<b>Additions:</b>				
Impact Fees - Water	4,000	-	-	5,000
<b>Interest:</b>				
Impact Fees - Water	120	62	84	232
<b>Deletions:</b>				
Impact Fees - Water	-	-	-	(9,498)
<b>Ending Balance:</b>	<u>\$ 4,120</u>	<u>\$ 4,182</u>	<u>\$ 4,266</u>	<u>\$ -</u>



Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## **INDEPENDENT ACCOUNTANT'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and Town Council  
Town of Cornish  
Cornish, Utah

We have reviewed the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Cornish, Utah (the Town), as of and for the year ended June 30, 2006, and have issued our report thereon dated November 10, 2006. As part of our review, we have observed the Town's compliance with requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our observation also included test work on the Town's compliance with those general compliance requirements identified in the, State of Utah Legal Compliance Audit Guide, including:

Public Debt	B & C Road Funds
Cash Management	Truth in Taxation and
Purchasing Requirements	Property Tax Limitations
Budgetary Compliance	Other Compliance Requirements
Impact fees	

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to summarize compliance with those requirements based on our review.

The results of our procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter.

We conducted our review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards are limited primarily to presenting in the form of financial statements information that is the representation of the officials of the Town of Cornish. We have not audited the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Peterson Alfred Jackson

November 10, 2006



Peterson  
Allred  
Jackson

■ Certified Public Accountants  
Business Consultants

November 10, 2006

Honorable Mayor and Town Council  
Town of Cornish  
Cornish, Utah

Dear Mayor Pitcher:

In planning and performing our review of the financial statements of Cornish, Utah (the Town), for the year ended June 30, 2006, we developed the following recommendations concerning certain matters related to compliance, internal control structure (other than "reportable conditions"), and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our review of the Town's financial statements for the year ended June 30, 2006, and are not based on a special study. Our comments and principal recommendations are summarized below.

#### **PRIOR YEAR FINDINGS**

**Finding:** *Unreserved Fund Balance.* The unreserved general fund balance was in excess of which is permitted by State Law by approximately \$12,000.

**Recommendation:** Reduce the excess fund balance through current year expenditures or through transfers to a capital projects fund if needed.

**Management response:** The excess funds will be used for road projects during the 2006 fiscal year.

**Status:** The unreserved general fund balance was in excess of approximately \$27,000 as of June 30, 2006. See current year finding.



## CURRENT YEAR FINDINGS

Finding: Unreserved Fund Balance. The unreserved general fund balance was in excess of which is permitted by State Law by approximately \$27,000.

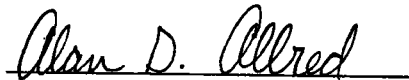
Recommendation: Reduce the excess fund balance through current year expenditures or through transfers to a capital projects fund if needed.

Management response: A capital projects fund will be created and funds will be transferred during fiscal year 2007.

In conclusion, we wish to recognize all personnel and administrators for their excellent service provided to the Town of Cornish. We wish to specially thank Amy Murphy for her help in completing this engagement. The performance by the Town of necessary procedures needed to produce accurate accounting records has made this an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred". The signature is written in dark ink and is positioned above a horizontal line.

Alan D. Allred, CPA